

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – KWANZA CONSTITUENCY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund – Kwanza Constituency set out on pages 1 to 39, which comprise the statement of financial assets as at 30 June, 2019, and the statement of receipts and payments, statement of cash flows and the summary statement of appropriation: recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of National Government Constituencies Development Fund – Kwanza Constituency as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and the National Government Constituencies Development Fund Act, 2015.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund – Kwanza Constituency Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Budgetary Control and Performance

During the year under review, the Fund had an approved budget of Kshs.163,833,903 for both development and recurrent expenditure. In the year the Fund recorded a total expenditure of Kshs.106,430,520 representing 65% of the budgeted amount resulting to an under expenditure of Kshs.57,403,393 or 35% of the budgeted amount.

The under expenditure was mainly on transfers to other government units where the Fund recorded under expenditure of Kshs.49,720,000 representing 50% of the budgeted amount of Kshs.99,360,000.

Non-utilization of all the funds budgeted for is an indication that services and approved projects/programmes were not delivered to the residents of Kwanza Constituency and therefore the budget did not meet the intended objectives of improving the service delivery to the residents.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Project Implementation

According to the project implementation status report provided for audit review, the Fund planned to implement one hundred and thirty-four (134) projects during the year under review at a total cost of Kshs.68,050,000 under various sectors. As at 30 June, 2019, only sixteen (16) projects costing Kshs.4,990,000 had been completed, twenty one (21) projects costing Kshs.28,450,000 were on-going at various levels of completion while ninety-seven (97) projects costing Kshs.34,620,000 had not started as shown below:

Sector	Complete			On-going			Not started		
	No	Amount (Kshs)	%	No	Amount (Kshs)	%	No	Amount (Kshs)	%
Primary	3	800,000	8.3	1	1,200,000	2.8	32	23,450,000	88.9
Secondary	2	430,000	5.7	20	27,250,000	57.1	13	8,770,000	37.1
Security	2	1,100,000	50	0	-	0.00	2	1,400,000	50
Environment	0	-	0	0	-	0.00	50	1,000,000	100
Emergency	9	2,650,000	100	0	-	0.0	0	-	0

Total	16	4,990,000	11.9	21	28,450,000	15.7	97	34,620,000	72.4
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Non-implementation or delay in implementation of projects as planned may result to loss of public funds through price variations and poor workmanship thus denying the residents of Kwanza constituency the benefits accruing from such incomplete projects.

2. Project Verification

During the audit in July, 2020, fourteen (14) projects costing Kshs.18,250,000 were verified and found to be at various levels of completion as detailed in Appendix 1.

Delay in completion of the projects denied the residents of Kwanza Constituency the benefits that would have been accrued from projects.

3. Unsatisfactory Work at Pombo Primary School

The transfers to primary schools figure of Kshs.16,410,000 as disclosed in Note 4 to the financial statements include an amount of Kshs.700,000 disbursed to Pombo Primary School for construction of one classroom. Although the classroom was constructed and put to use, it was noted that water was oozing from the painted walls, a clear indication of substandard work done. Information available indicated that a report was done by the head teacher informing the Public Works Officer of his dissatisfaction with the work that was being done then. However, no action appeared to have been taken to have the contractor rectify the poor work done. In addition, there was no evidence that the school recovered and retained retention money of 10% as required, which would have otherwise used to repair the classroom.

Consequently, the constituents may not have obtained value for money on Kshs.700,000 spent on the classroom.

4. Variation of Contract Amount at Kambi Ndege Primary School

The transfers to primary schools figure of Kshs.16,410,000 included a transfer of Kshs.1,200,000 to Kambi Ndege Primary School for construction of two classrooms to completion. Information available indicates that a local construction company was engaged to construct the classrooms for a contract sum of Kshs.1,131,011. However, tender opening minutes, tender evaluation minutes, notification of award and form of agreement availed indicated that the contract amount had been altered from Kshs.1,200,000 to Kshs.1,131,011 and there was no documentation indicating that the contract sum had been negotiated downwards.

Consequently, the validity and lawfulness on the contact sum of Kshs.1,131,011 could not be confirmed.

5. Unauthorized Reallocation of Funds - Maili Saba Assistant County Commissioner's Office

The security projects figure of Kshs.4,550,000 as disclosed in Note 5 to the financial statements include an amount of Kshs.600,000 disbursed towards the construction of Maili Saba Assistant County Commissioner's office. However, the funds were re-allocated and applied towards the construction of a 5 roomed residential house with 3 toilets and a kitchen. Although the works were ongoing as at the time of audit in July, 2020, no documentary evidence was availed for audit in support of the approval by the National Government Constituencies Development Fund Board to re-allocate the funds. In addition, there was no information to confirm that the funds shall be sufficient to complete the house or when the same shall be completed.

Consequently, the Management breached the National Government Constituencies Development Fund Act and the residents of Kwanza may not get value for the money spent on the project.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain its services and disclosing as applicable matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to liquidate the Fund or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution.

My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



CPA Nancy Gathungu, CBS

AUDITOR-GENERAL

Nairobi

29 December, 2021

Appendix 1: Verified Status of Projects

No	Project	Project Activities	Expenditure (Kshs.)	Remarks
1	Kambi Ndege Primary School	Construction of 2 classrooms to completion	1,200,000	Workmanship was okay except for the verandah floor that was not levelled well resulting in water stagnating every time there is rainfall.

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No	Project	Project Activities	Expenditure (Kshs.)	Remarks
2	Pombo Primary School	Construction of 2 classrooms to completion	700,000	Poor workmanship with oozing and stained walls especially at the lintel. Windows were also small resulting in poor lighting of the classroom.
3	Aic Kobos Boys Secondary School	Construction of dining hall & kitchen (Roofing, plastering, fixing shutters)	900,000	Roofing done, plastering done but fixing shutters was not complete. Project was ongoing and awaiting more funding to be completed.
4	Aic Kobos Girls Secondary School	Construction of twin lab (Roofing, flooring, Plastering, gas and water installation, side benches and worktops)	2,000,000	Project was ongoing. Floor rough cast done, plastering done, gas and water installed, side benches and worktops done pending finishes for the physics lab. Chemistry lab was incomplete.
5	Kobos Girls Secondary School	Construction of twin lab (Construction to roofing)	1,800,000	Construction up to roofing was complete.
6	St Francis Kolongolo Girls Secondary School	Construction of twin lab (Construction to roofing)	1,800,000	Construction up to roofing was complete.
7	St Francis Kolongolo Girls Secondary School	Construction of twin lab (Roofing, flooring, Plastering, gas and water installation, side benches and worktops)	2,000,000	Project was ongoing. Floor rough cast done, plastering done, gas and water were not installed, side benches not fixed and worktops not done.
8	St Francis Kolongolo Secondary School	Completion of multipurpose hall (Roofing, plastering and fixing of shutters)	700,000	Project was ongoing. Roofing done. Plastering and fixing of shutters was not done.
9	St Martins Makhonge Secondary School	Construction of twin lab (Construction to roofing)	1,800,000	Construction up to roofing was complete.
10	St Martins Makhonge Secondary School	Construction of twin lab (Roofing, flooring, Plastering, gas and water installation, side benches and worktops)	2,000,000	Project was ongoing. Floor rough cast done, plastering done, gas and water installed, side benches fixed, worktops were not done.
11	Maili Saba Assistant County Commissioner	Construction of Assistant County Commissioner's office to completion	600,000	Money used for construction of a 5 roomed house with 3 toilets and a kitchen. However, there was no authority from the board to authorize change of project. •Project was incomplete.

No	Project	Project Activities	Expenditure (Kshs.)	Remarks
12	Kwanza AP Camp	Construction of five (5) Administration Police Houses	1,650,000	-The funds were used for construction of 8 AP houses although the BQs indicated 10 A.P houses. -8 houses had been completed but had no ceiling which had an estimated cost of Ksh.73,570 as per the BQs. -Report of inspection and acceptance committee not availed. -Completion certificates not provided.
13	Kwanza Community Policing		600,000	The project was complete and work was well done. However, inspection and acceptance certificates were not provided.
14	Kwanza Community Policing	Purchase of Furniture	500,000	Furniture purchased and in use.
	Total		18,250,000	